

Message Text

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11

ACTION ARA-10

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C O N F I D E N T I A L LIMA 6902

FOR UNDER SECRETARY ROGERS FROM FRANK

DEPARTMENT PASS ALL ARA POSTS

DEPARTMENT PASS TREASUTY FOR VASTINE

EO 11652: GDS

TAGS: EGIN, EFIN, EAID, ETRD, PFOR, CI

SUBJECT: MEETINGS WITH CHILEAN GOVERNMENT AND CEPAL OFFICIALS

1. DURING MY STAY JANUARY 29 IN SANTIAGO, I HAD ONE HOUR MEETING WITH JORGE CAUAS AND SERGIO DE CASTRO, MINISTER OF FINANCE AND MINISTER OF ECONOMY, RESPECTIVELY; TWO HOUR MEETING AT ECONOMIC COMMISSION FOR LATIN AMERICA; AND LUNCH AT AMBASSADOR'S RESIDENCE WITH TOMAS LACKINGTON, ECONOMIC ADVISOR TO FOREIGN MINISTRY, PABLO BARAONA, PRESIDENT OF THE CENTRAL BANK, MANUEL BALBOA, DEPUTY SECRETARY OF ECLA AND OTHERS. I ALSO HAD MEETINGS WITH MIGUEL KAST, DEPUTY DIRECTOR OF ODEPLAN AND WITH ECONOMISTS FORMERLY ASSOCIATED WITH CATHOLIC UNIVERSITY, AND NOW ESTABLISHED IN A PRIVATE RESEARCH UNITY FINANCED BY FORD FOUNDATION AND THE ILO, AMONG OTHERS.

2. CAUAS, DE CASTRO, AND LACKINGTON EXPRESSED STRONG SUPPORT FOR INTERNATIONAL RESOURCES BANK PROPOSAL AND FOR THE U.S. CASE-BY-CASE APPROACH TO COMMODITY POLICY.

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THEY SAID THAT ANY FURTHER INFORMATION ON THE DETAILS

OF THE IRB PROPOSAL WOULD BE VERY HELPFUL. CAUAS EXPRESSED HOPE THAT WE WOULD THINK ABOUT USING THE DEVELOPMENT COMMITTEE OF THE IMF-IBRD AS THE PLACE FOR ELABORATING THE IRB PROPOSAL. HE FELT THAT WE NEEDED TO GIVE THE DEVELOPMENT COMMITTEE SPECIFIC AND MEANINGFUL TASKS, AS WE HAD GIVEN TO THE INTERIM COMMITTEE. UNLESS WE DID SO, THE DEVELOPMENT COMMITTEE MIGHT BE ABOLISHED AT THE NEXT IBRD-IMF MEETING IN MANILA. (COMMENT: MCNAMARA HAS BEEN OPPOSED TO CONTINUATION OF THE DEVELOPMENT COMMITTEE. THE UNITED STATES HAS SUPPORTED ITS CONTINUATION AS HAVE MANY DEVELOPING COUNTRIES. WE HAVE BEEN DISCUSSING AMONG OURSELVES IN THE USG THE ROLE OF THE DEVELOPMENT COMMITTEE AND THE IRB. I THINK WE SHOULD GIVE THIS ISSUE CAREFUL THOUGHT BEFORE OCTOBER TO DETERMINE HOW IT SHOULD BE PLAYED AT THE MANILA MEETING.)

3. DURING MEETING AT CEPAL, HOSTED BY MANUEL BALBOA (IGLESIAS WAS STILL IN GENEVA AT ECOSOC MEETINGS) AND ATTENDED BY CARLOS MASSAD, JORGE VITERI, NORBERTO GONZALEZ AND RUTH KELLY, WE DISCUSSED BOTH THE IRB AND LATIN AMERICAN TRADE ISSUES, BOTH OF WHICH ISSUES THEY HOPE TO TREAT IN THEIR TALKS WITH YOU AND THEIR SUBMISSION OF IDEAS TO THE SECRETARY. THEY ASKED MANY QUESTIONS ABOUT THE IRB AND WERE VERY SUPPORTIVE OF THE PROPOSAL. BALBOA EXPRESSED THE STRONG VIEW THAT NOW WAS A PROPITIOUS TIME POLITICALLY TO PURSUE A PROPOSAL LIKE THE IRB IN LATIN AMERICA. MOST COUNTRIES, HE FEELS, WOULD BE SUPPORTIVE, EVEN PERU, WHICH IS MOVING RAPIDLY TO THE CENTER, AND POSSIBLE EVEN MEXICO (WHICH MIGHT AT LEAST NOT OPPOSE IT), GIVEN THE MORE PRAGMATIC LESS IDEOLOGICAL APPROACH WITH LOPEZ-PORTILLO MIGHT FOLLOW IN FOREIGN AFFAIRS. BALBOA AND VITERI STRESSED CARE IN PRESENTING THE PROPOSAL SO THAT IT DOES NOT SEEM AS IF WE ARE TRYING TO SHOVE MNCS DOWN THEIR COLLECTIVE THROATS. THEY EMPHASIZED THE EXTREME SENSITIVITY OF THE ISSUE OF VOTING POWER AND CONTROL OVER IRB POLICIES, AND URGED THAT WE BE FLEXIBLE IN THIS REGARD. THEY ALSO EMPHASIZED THAT WE OUGHT TO PRESENT THE IRB AS ONE ELEMENT IN AN OVERALL OR COMPREHENSIVE APPROACH TO THE FULL RANGE OF COMMODITY ISSUES, INCLUDING PRICE STABILIZATION, IN ORDER TO ALLAY MANY SUSPICIONS THAT WE ARE TRYING TO PUSH THE

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IRB AS AN ALTERNATIVE TO THE INTEGRATED PROGRAM. (COMMENT: WHEN WE DISSEMINATE THE IRB QUESTIONS AND ANSWERS TO POSTS, I THINK THAT WE SHOULD PRECEDE THE Q'S AND A'S WITH SOME GENERAL REMARKS ADDRESSED TO AT LEAST SOME OF THE ISSUES RAISED BY BALBOA AND THE CEPAL STAFF.)
SMITH

NOTE BY OC/T: NOT PASSED ARA POSTS.

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